

Volume No. 1—Policies & Procedures	TOPIC NO.	50410
Function No. 50000 —Payroll Accounting	TOPIC	RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE	October 2004

Table of Contents

Overview	2
Introduction	2
Optional Retirement Plans (ORPs)	2
Contributions	3
Retirement Health Credit	3
Long-Term Disability	3
VRS Service Credit Buyback Program	3
LWOP	3
Retirement - CIPPS Data Entry	4
Retirement Plan Codes	4
ORP Retirement Plan Codes	4
Online Data Entry	6
H0ZDC	7
VRS Required Data	7
Employee Job Description H0BUO	7
VRS Retirement Reconciliation	8
Purpose of Monthly Reconciliation	8
Reconciliation Reports	8
VRS Monthly Reconciliation Process	9
Internal Control	10
Internal Control	10
Records Retention	10
Time Period	10
Contacts	10
DOA Contact	10
Subject Cross References	10
References	10

Volume No. 1—Policies & Procedures	TOPIC NO.	50410
Function No. 50000 —Payroll Accounting	TOPIC	RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE	October 2004

Overview

Introduction

The Virginia Retirement System (VRS) administers four different defined benefit retirement plans for eligible employees:

- VRS Retirement Plan (VRS)
- State Police Officers' Retirement System (SPORS)
- Judicial Retirement System (JRS)
- Virginia Law Officers' Retirement System (VaLORS)

Full time, salaried employees and faculty, and part-time classified employees working at least 20 hours per week are eligible to participate in one of the VRS retirement plans. Part-time employees are limited to participation in the regular VRS retirement plan. Participants receive one month's service credit for each month in which they receive certain types of pay.

Optional Retirement Plans (ORPs)

ORPs are defined contribution retirement plans offered as an alternative to VRS retirement to faculty of higher education institutions and to certain political appointees. Faculty have the option to participate in any of the following ORPs:

- Teacher Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF)
- Fidelity Investments

Political appointees have the option of participating in the ORP for political appointees.

Continued on next page

Volume No. 1—Policies & Procedures	TOPIC NO. 50410
Function No. 50000 —Payroll Accounting	TOPIC RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE October 2004

Overview, Continued

Contributions	CIPPS calculates VRS, SPORS, JRS, VaLORS, and ORP retirement contributions on regular pay, payments for workers' compensation, VSDP payments, and Northern Virginia differentials. Additionally, retirement may be calculated on limited permanent special pays, based on the unique requirements of certain agencies. Retirement is not calculated on overtime. Retirement is processed as an agency-paid deduction.
Retirement Health Credit	The retirement health credit (retiree credit) is an agency-paid deduction that reduces the cost of health insurance for retirees. VRS administers the retiree health credit program.
Long-Term Disability	The long-term disability deduction is an agency-paid deduction that funds long-term disability benefits under the Virginia Sickness and Disability Program.
VRS Service Credit Buyback Program	The VRS Service Credit Buyback Program allows eligible VRS members to purchase service credit lost during periods of leave without pay and/or military leave, etc. The Buyback program is available to participants of the four retirement plans administered by VRS. Employees participating in the Buyback program can choose to purchase service credit on a pre-tax or post-tax basis, subject to rules established by VRS. <i>Only those who contract prior to July 2004 can buy back via payroll.</i>
LWOP	Generally, employees on leave without pay are not eligible for retirement contributions and do not earn service credit while on leave. Refer to CAPP Topic No. 50510, <i>Unpaid Leaves of Absences</i> , for processing procedures.

Continued on next page

Volume No. 1—Policies & Procedures	TOPIC NO.	50410
Function No. 50000 —Payroll Accounting	TOPIC	RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE	October 2004

Retirement - CIPPS Data Entry

Retirement Plan Codes

Retirement Plan Codes are entered on HMCU1, which automatically establishes the appropriate retirement deduction in conjunction with the retirement credit, long-term disability, and group life insurance deductions (see CAPP Topic No. 50425, *Group and Optional Life Insurance*) on H0ZDC.

The Buyback Tax Code must be entered along with Buyback Retirement Plan Codes to control whether deduction 017 (post-tax buyback) or deduction 043 (pre-tax buyback) is set-up on H0ZDC. If the buyback tax code is not entered with buyback retirement plan codes, the fatal error message “INVALID RETIREMENT PLAN CODE” is displayed and the transaction is not completed. Valid retirement code values and the corresponding deductions set-up on H0ZDC follow:

NOTE: *Applicable rates may change between fiscal years. These rates are disseminated each year via a fiscal year end Payroll Bulletin.*

VRS Retirement Plan Codes

	HMCU1		-----H0ZDC-----	
Description	Retirement Code	Tax Code	Deduction #	Description
Regular	VS	N/A	015	RET CRDT
Buyback	BV	0,1	016	RETIRMNT
			020	GRPINSR
			036	LT DISAB
Buyback	BV	1	017	BUYBACK
Buyback	BV	0	043	PREBUYBK

ORP Retirement Plan Codes

	HMCU1		-----H0ZDC-----	
Description	Retirement Code	Tax Code	Deduction #	Description
Fidelity Invest.	FI	N/A	009	FID INVS
TIAA/CREF	TA	N/A	014	TIAACREF
	Both ORP Codes	N/A	015	RET CRDT
			020	GRPINSR

Continued on next page

Volume No. 1—Policies & Procedures	TOPIC NO.	50410
Function No. 50000 —Payroll Accounting	TOPIC	RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE	October 2004

Retirement - CIPPS Data Entry, Continued

Retirement Plan Codes, continued

Judicial Retirement Plan Codes	HMCU1		-----H0ZDC-----	
	Description	Retirement Code	Tax Code	Deduction # Description
	Judicial 1,2	J1,J2	N/A	016 RETIRMNT
	Buyback	B1,B2	0,1	020 GRPINSR
			1	017 BUYBACK
			0	043 PREBUYBK

VaLORS Retirement Plan Codes	HMCU1		-----H0ZDC-----	
	Description	Retirement Code	Tax Code	Deduction # Description
	VaLORS	LS	N/A	015 RET CRDT
	Buyback	B4	1,0	016 RETIRMNT
				020 GRPINSR
				044 SP LTD
	Buyback	B4	1	017 BUYBACK
			0	043 PREBUYBK

State Police Retirement Plan Codes	HMCU1		-----H0ZDC-----	
	Description	Retirement Code	Tax Code	Deduction # Description
	State Police	SS	N/A	015 RET CRDT
	Buyback	B3	1,0	016 RETIRMNT
				020 GRPINSR
				044 SP LTD
	Buyback	B3	1	017 BUYBACK
			0	043 PREBUYBK

Continued on next page

Volume No. 1—Policies & Procedures	TOPIC NO. 50410
Function No. 50000 —Payroll Accounting	TOPIC RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE October 2004

Retirement - CIPPS Data Entry, Continued

Online Data Entry

Access the Employee Benefits screen (HMCU1) as instructed in CAPP Topic No. 50110, *CIPPS Navigation*.

RETIREMENT PLAN CODE Enter the appropriate retirement plan code from the preceding and press Enter. CIPPS automatically generates the corresponding deductions on H0ZDC.

BUY BACK TAXING If a buy back retirement plan code is entered, enter the value designating post-tax or pre-tax election.

Value	Description
0	Establishes pre-tax buyback deduction 043 on H0ZDC.
1	Establishes post-tax buyback deduction 017 on H0ZDC.

Note: The Buy Back Taxing field must be completed in conjunction with any one of the retirement buy back codes **BV, B1, B2, B3** or **B4**. If the **0** or **1** is not entered, the fatal error message **“INVALID RETIREMENT PLAN CODE”** displays and the transaction is not completed.

Continued on next page

Volume No. 1—Policies & Procedures	TOPIC NO. 50410
Function No. 50000 —Payroll Accounting	TOPIC RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE October 2004

Retirement - CIPPS Data Entry, Continued

H0ZDC

This screen shows the deduction set-up based on Regular VRS Retirement.

Sna - EXTRA! Personal Client

File Edit View Tools Session Options Help

> GUH 00230,1111111500 ON H0ZDC

-----EMPLOYEE DEDUCTIONS-----

COMPANY--> 00230 EMPLOYEE NUMBER--> 1111111500
NAME-----> EMMETT E ECHO

NO	NAME	CALC	GN	FR	PRTY	START DATE	END DATE	GOAL	UTILITY	DED	MTD	DED YTD
15	RET CROD	96	1	09	000	00/00/0000	00/00/0000	.00890	.00	300000000000000000	.00	.00
16	RETIRMT	96	1	09	000	00/00/0000	00/00/0000	.00770	.00	300000000000000000	.00	.00
20	GRPINSR	01	1	09	000	00/00/0000	00/00/0000	.00	.00	000000000000000000	.00	.00
21	DEP CARE	85	1	09	000	00/00/0000	00/00/0000	50.00	.00	000000000022000100	.00	.00

05/26/04 13:54:02 1 M3LL CIDL

NUM 11/02 1:55 PM

VRS Required Data

**Employee Job Description
H0BUO**

To provide VRS with adequate information to ensure the correct handling of retirement contributions for contract employees such as faculty, the employee's Contract Length and Number of Pays must be established. This information is entered on the Employee Job Description screen (H0BUO). Refer CAPP Topic No. 50305, *New Employee Adds*, for instructions on completing this screen.

Continued on next page

Volume No. 1—Policies & Procedures	TOPIC NO. 50410
Function No. 50000 —Payroll Accounting	TOPIC RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE October 2004

VRS Retirement Reconciliation

Purpose of Monthly Reconciliation

Agencies must reconcile VRS contributions monthly. The following deduction categories are reconciled in the same manner during this process:

- Retirement
- Group insurance
- Insurance health care credit (retiree credit)
- Long-term disability

Reconciliation Reports

The following reports are used in the reconciliation process:

Report	System	Description
U016, VRS Contribution Worksheet	CIPPS	Verify that all eligible employees are being reported properly for retirement credit – Compare with VRS-50 Report.
U044, VRS Discrepancy Report	CIPPS	Produced only when the agency has a void check or the Creditable Compensation, Base Life, or Health Care Creditable Compensation times the effective rate does not equal contributions reported. Lists employees with differences that may require research.
U046, Company Summary of Retirement Deduction Errors	CIPPS	Error listing that may indicate potential reporting problems.
Statement of Account (VRS-50)	VRS	Reports contributions received and the monthly payroll reports processed during the past month. This report identifies differences between contributions and payroll data processed. Provides a record of adjustments received and processed. Gives the employer another source to use in reconciling accounts and activity.
Membership Report (VRS-1500)	VRS	Use to report salary changes, to add or drop a member or to place a member on leave without pay.
Monthly Membership Statement (VRS-1500R)	VRS	Summarizes the changes VRS made to the original report and the resulting monthly totals.

Continued on next page

Volume No. 1—Policies & Procedures	TOPIC NO.	50410
Function No. 50000 —Payroll Accounting	TOPIC	RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE	October 2004

VRS Retirement Reconciliation, Continued

Report	System	Description
Interim Membership Statement (VRS-1500I)	VRS	Summarizes the changes VRS made to the original report and includes a VRS Suspense List for members that requiring correction.

VRS Monthly Reconciliation Process

Activity for the reconciliation period is entered on the Reconciliation Worksheet developed by VRS. The worksheet is divided into three parts, which agencies complete using the reports listed above:

Part	Description
A	CARS expenditure transactions for VRS contributions are reconciled to Monthly Contribution Worksheet (U016). The VRS Discrepancy Report U044 and the Company Summary of Retirement Deduction Error should also be reviewed explanation of discrepancies existing between amount paid and the amount due.
B	From the Statement of Accounts (VRS-50) list those transactions for the month being reconciled. This will assist the agency in identifying discrepancies for the current reporting period. A Membership Report (VRS-1500) should be completed for any changes not reflected on the VRS-50 for the reconciliation month.
C	Once the agency receives a “cleared” VRS-1500R, Part C is completed. This section identifies the total amount of the adjustment to bring the agency’s account into balance for the reporting period. An IAT for the adjustment amount must be prepared and forwarded to VRS, along with a copy of the reconciliation worksheet to adjust VRS records.

Reference the VRS Employer Payroll Manual for more information on the monthly reconciliation process and for a copy of the Reconciliation Worksheet or visit their web site at www.varetire.org.

Volume No. 1—Policies & Procedures	TOPIC NO.	50410
Function No. 50000 —Payroll Accounting	TOPIC	RETIREMENT—VRS and ORP
Section No. 50400—Deductions	DATE	October 2004

Internal Control

Internal Control

The agency must ensure that retirement, retirement credit, group insurance and long-term disability and other corresponding retirement plan deductions are established properly in CIPPS. Ensure that the monthly reconciliation of retirement plan contributions is performed timely and that any IAT adjustments are processed. Maintain employee enrollment information and any supporting documentation for audit purposes.

Records Retention

Time Period

Retain payroll reports for five years or until audited, whichever is later.

Contacts

DOA Contact

Manager, State Payroll Operations
Voice: (804) 225-2245
E-mail: Payroll@doa.virginia.gov

Payroll Business Analyst/Trainer
Voice: (804) 225-3120 or (804) 225-3079
E-mail: Payroll@doa.virginia.gov

Subject Cross References

References

CAPP Topic No. 50110, *CIPPS Navigation*.
CAPP Topic No. 50305, *New Employee Adds*
CAPP Topic No. 50425, *Group and Optional Life Insurance*
CAPP Topic No. 50510, *Unpaid Leaves of Absence*